Saskatchewan Computer Utility Corporation

1984

Annual

Report.

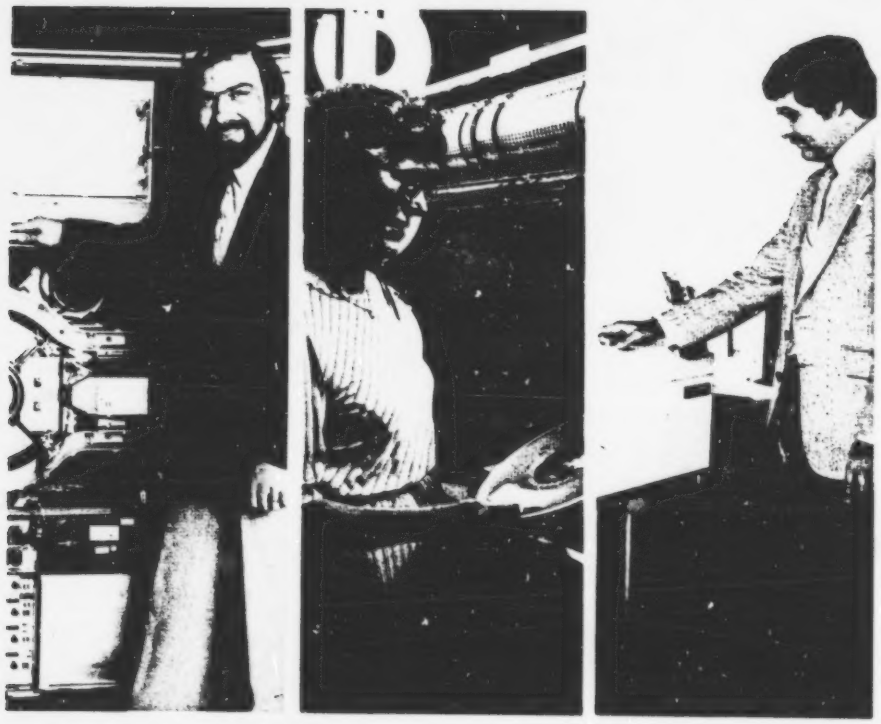


Table of Contents

	PAGE
Letter of Transmittal	1
Chairman's Message	2
Highlights of 1984	3
Board of Directors	4
President's Report	6
Operations Review	8
Financial Review	9
Financial Statements	10
Auditor's Report	10
Statement of Financial Position	11
Statement of Operations	12
Statement of Retained Earnings	12
Statement of Changes in Financial Position	13
Notes to Financial Statements	14

Letter of transmittal

Honourable J. Gary Lane

March 15, 1985
Regina, Saskatchewan

To His Honour
The Honourable F. W. Johnson
Lieutenant Governor of the
Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Computer Utility Corporation for the year ending December 31, 1984 including the financial statements therefor duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Computer Utility Corporation Act. I have the honour to be, Sir, your obedient servant.

J. Gary Lane

Minister-In-Charge
Saskatchewan Computer
Utility Corporation

Chairman's Message

D. Gavin Koyl
Chairman of the Board

During 1984 SaskCOMP established new performance records as measured in terms of services provided and net income.

A new mandate for the corporation was approved, embodying the following two broad statements of mission:

"The corporation will:

- contribute to public sector productivity and effectiveness through the delivery of informatics services,
- promote the use of computer technology in co-operation with the private sector."

The corporation's computing and consulting services to the provincial public sector will aid the development of information management in Saskatchewan.

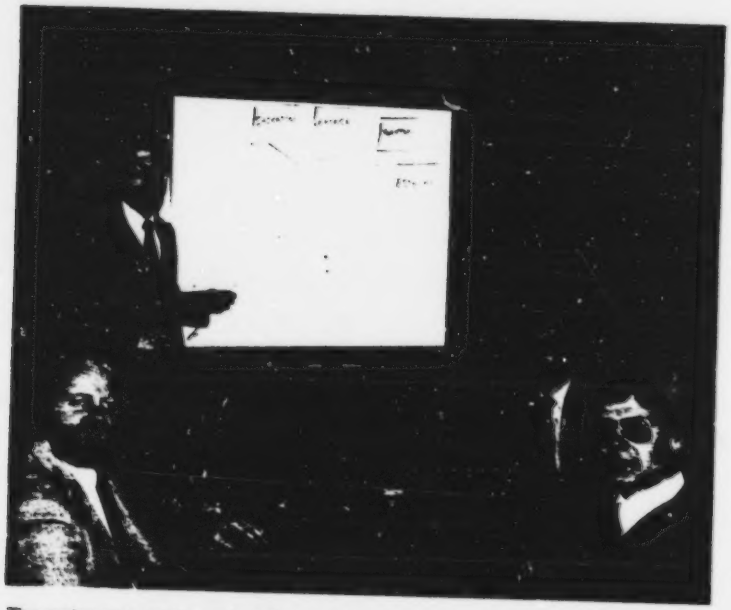
Certain changes were implemented in the management structure to enable the corporation to aggressively pursue its new mandate.

I wish to acknowledge the co-operation and support of members of the Board since assuming the chairmanship in mid-year. I also wish to recognize the contribution of Mr. Morris Chernesky who retired as a Board member at the end of April, 1984.

D. Gavin Koyl
Chairman of the Board

Highlights of 1984

- Rate reductions aggregating 20% were implemented and a further 10% reduction was announced effective January 1, 1985. Consequently, while workload volumes increased 26%, the year's revenue declined 2% from 1983.
- Expenses were down 17% from 1983 reflecting significant savings in the cost of computer facilities and holding the line on other costs.
- Data security measures were improved through the installation of TOP SECRET software.
- A backup and disaster recovery service was established.
- An additional database management system (ADABAS), with related fourth generation language and utilities, was made available to our customers.



The major new customer installation of 1984 was the ADABAS Social Services System. Pictured are some of the key individuals in its successful implementation — David Ritcey and David Haywood-Anderson of Social Services, and John Quesnel and Doug Bresciani of SaskCOMP.

Board of Directors

D. Gavin Koyl
Chairman of the Board
Regina
President
Koyl Commercial
Real Estate Services Ltd.

Honourable J. Gary Lane
Vice-Chairman
Regina
Attorney General of Saskatchewan

D. L. Birkmaier
Saskatoon
Public Accountant

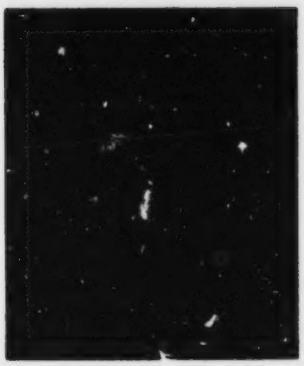
J. Cailes
Shell Lake
Homemaker

E. J. C. Dudley
Regina
Chartered Accountant

E. Gaunt
Saskatoon
Business Woman

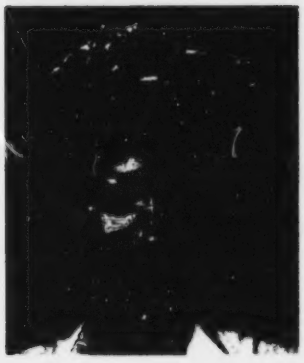
[continued]

R. J. Milton
Regina
Chartered Accountant



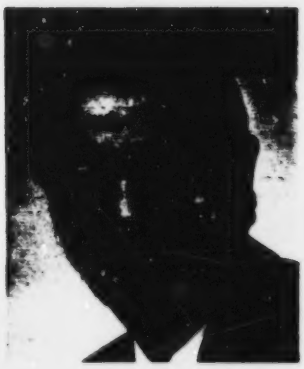
C. Reiter
Luseland
Homemaker

H. Seitz
Zehner
Farmer



L. Short
Saskatoon
Real Estate Agent

L. Stewart
Pense
Farmer



I. Disbery
Secretary to the Board
Crown Investments Corporation
(Crown Management Board)

President's Report

A. L. M. Nelson
President

During 1984, the Management and staff made a concerted effort to improve the productivity of our operations and provide an effective informatics delivery base for our customers. These efforts resulted in improved information management tools for the users of SaskCOMP's services.

The financial results for the year indicate that the corporation was able to effect significant reductions in operating expenses relative to the previous year. The corporation was able to hold the line on people related costs. People related costs increased only 2% over the fiscal year 1983.

Through the effective management of supplier agreements, the corporation was able to achieve significant reductions in hardware costs. The effect was a 32% decrease in this cost for 1984.

Significant reductions in SaskCOMP's operating costs were translated into rate reductions which in turn encouraged a growth in the utilization of the corporation's products and services.

During 1984 the corporation announced three rate reductions. On April 1, 1984 an across the board 15% rate reduction was implemented for the users of our general shared services. With an increase in usage over the first months of the year, we were able to implement a second rate reduction effective October 1, 1984, which provided our customers with an additional 5% savings. Before the end of the year, the corporation was able to announce an additional 10% rate reduction effective January 1, 1985.

Saskatchewan Government crown corporations and line departments responding to the challenge to improve productivity implemented additional computerized information processing systems. Notably, the Department of Social Services implemented an automated Social Services System and the Department of Finance implemented a "Financial Management System" for all line departments and agencies.

Informatics delivery productivity enhancements were also evidenced in the type of service purchased by our customers. The statistics outlined in the "Operations Review", which follows, indicates there has been a continued shift to on-line processing and storage, away from batch processing for new applications.

Aggregate computer workload at the Saskatoon and Regina Regional Centres, as measured by the number of on-line transactions and batch CPU hours showed a 26% increase in usage, for both batch CPU hours and on-line transactions.

Each year the corporation undertakes a customer Satisfaction Survey. The 1984 survey results indicate there has been an improvement in our customers' satisfaction with our services. Specific improvements were identified in Marketing, Security, CICS Response Time, and IMS Availability.

We will continue to emphasize initiatives to improve customer satisfaction with all SaskCOMP services and products.

Activities during the year which helped improve customer satisfaction included:

- joint SaskCOMP/customer problem solving activities,
- an enhanced marketing program,
- the establishment of a Product Line Management function.

[continued]

The new Product Line Management function will provide product leadership, with a customer focus to ensure that:

- new products are more aligned with our customers' primary informatics needs,
- the delivery and quality of service provide a more competitive solution for Saskatchewan's crown corporations, agencies, and departments.

Within Product Line Management, several research activities were undertaken to meet our customers' productivity improvement requirements.

a) During the year, the corporation worked with other industry suppliers to investigate the provision of videotex service, with an emphasis on the province's agricultural market.

b) In data communication services, the corporation undertook to investigate the possibility of managing the delivery of our services to the customer site rather than SaskCOMP managing only the service provided within our own processing centres.

The corporation looked to its employees for a greater effort in terms of satisfying our customers' increased demand for services. The employees accepted the challenge and provided our customers with a premium service.

Operating within the government's wage guidelines, we were able to conclude an agreement with the Energy and Chemical Worker's Union. The agreement provided for a two year contract, terminating September 30, 1985. The basic wage settlement provided for an average 1% salary increase in the first year, and a 3% increase in the second year.

As well, in 1984 the corporation approved and implemented an Affirmative Action Program which will ensure equitable participation for target group members in the corporation's workforce.

With the Board of Directors' guidance and support, the corporation's new mandate and management reorganization will provide an enhanced capability for the delivery of Informatics in the Province of Saskatchewan.

We look forward, with confidence, to the challenges and opportunities that lie ahead. The achievements during the past year are due to the unstinting efforts of the employees, and the guidance and support of the Board of Directors, which we gratefully acknowledge.

A. L. M. Nelson
President

T. Dagg
Vice-President
Administration

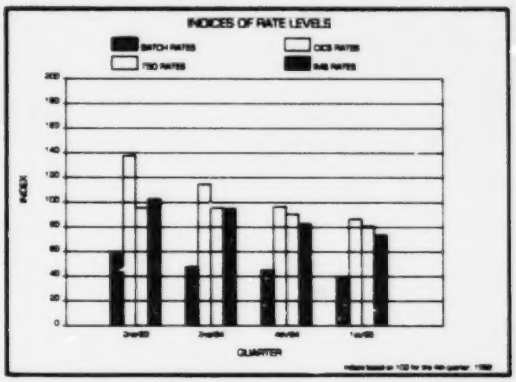
G. Fiske
Vice-President
Computer Services

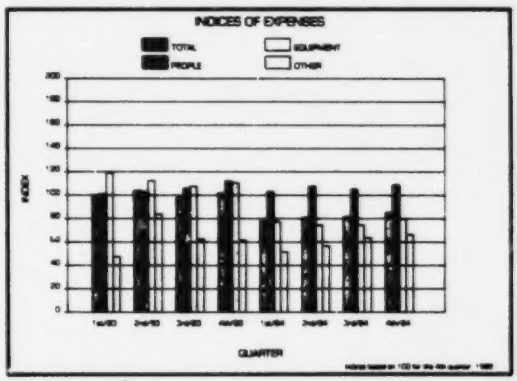
R. Nell
Vice-President
Corporate Development

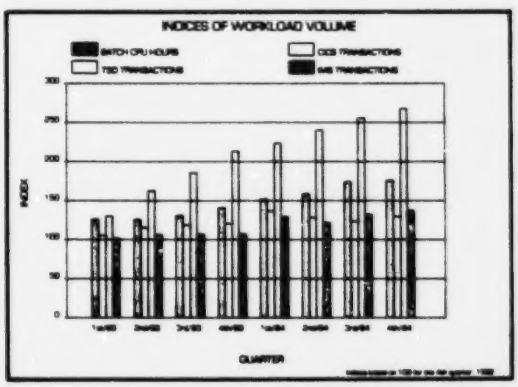
D. Poulin
Vice-President
Customer Services

Operations Review

- Revenue from computer processing decreased marginally. The decrease is due to rate reductions implemented during the year aggregating 20%.
- On-line transactions at the Saskatoon and Regina processing centres increased 26% over 1983, with 1984 on-line transaction volume averaging 5.9 million transactions per month.
- Consulting provided 1340 man-days of service in 1984, compared to 1,700 man-days in 1983.
- Through our various training programs, SaskCOMP provided 850 student days of training in 1984.
- Storage capacity at the three centres amounted to 193 billion bytes on hard disks and on the Mass Storage Subsystem, and 45,000 magnetic tapes. This represents increases of 38% and 7% respectively over 1983.
- The number of terminals accessing SaskCOMP at year end totalled 1,525 interactive work stations, an increase of 21%, and 81 remote job entry stations, a decrease of 25%. RJE's are down due to the conversion by a major customer to a dedicated service.
- The Regina Regional operating system was converted to the more current MVS/XA operating system.
- A data base management system, ADABAS/COMPLETE, was installed at Regina Regional Centre.
- Other new software installed during 1984 included a mainframe spreadsheet (ESS) and micro to mainframe communications packages.
- For enhanced security, both Saskatoon and Regina Regional Centres implemented TOP SECRET for the protection of data sets. In addition, Disaster Recovery Services planning was initiated with a "hot site" contracted for and tested.
- SaskCOMP undertook the operation of a dedicated IBM 4300 service for the Potash Corporation of Saskatchewan.
- The Sigma 9 operation, which was located at the University of Regina, was discontinued on June 30, 1984.







Financial Review

Revenue for 1984 decreased 2% from 1983. This decrease is due primarily to two major rate reductions in 1984 — 15% on April 1, 1984 and 5% on October 1, 1984.

Expenses in 1984 decreased 17% from the 1983 level. This reduction in expenses is due primarily to reduction of equipment related expenses.

Revenues for the year amounted to $22,654,000, a decrease of $423,000 from 1983. The expenses for the year totalled $17,016,000, which compares to a figure of $20,581,000 for 1983. The resulting net income for 1984 is $5,638,000 which compares to $2,496,000 for the previous year.

During the year, funds in the amount of $6,785,000 were generated from operations, while $799,000 and $239,000 respectively, became available from equipment leasing transactions and disposal of fixed assets. These funds were used to finance acquisition of additional assets in the amount of $1,392,000 for SaskCOMP and $959,000 for leasing division customers.

Outstanding long-term debt of $787,000 was repaid and an amount of $2,819,000, representing one-half of the year's net income was declared as a dividend to the Crown Investments Corporation. The level of working capital at year end was $2,073,000. The $1,000,000 line of credit established in the fiscal year 1983 was also available as working capital.

Year end investments in fixed assets at cost amounted to $8,040,000 as compared with $8,127,000 at the end of 1983. At the end of 1984 leased assets valued at list price when new, amounted to $18,772,000, as compared with $17,205,000 for the previous year.

The corporation tends to follow a policy of leasing assets when it proves to be viable to gain a measure of protection against obsolescence in an industry that is volatile and runs on a two to three year product life cycle.

Saskatchewan Computer Utility Corporation
10 Year Record of Progress 1975 - 1984

Financial	1984	1983	1982*	1981	1980	1979	1978*	1977	1976	1975
Revenue ($000's)	22,654	23,077	21,705	16,748	12,814	9,857	8,845	7,967	5,616	4,531
Expenses ($000's)	17,016	20,581	18,501	16,190	12,343	9,798	7,883	7,007	5,112	4,326
Net Income ($000's)	5,638	2,496	3,204	558	471	59	962	960	504	205
Capital: Equity ($000's)	5,599	2,780	2,674	2,804	2,804	2,804	2,804	2,780	3,835	4,755
Debt ($000's)	0	787	4,011	5,341	4,807	4,350	2,866	204	331	450
Employees										
Number of Employees	164	166	159	156	149	142	126	118	108	107
Revenue per Employee ($000's)	138	139	137	107	86	69	71	61	52	42
Facilities **										
Processing Power (Millions of Instructions per Second)	27.9	25.0	25.0	16.1	12.7	7.9	5.1	5.1	3.4	3.4
Data Storage Capacity:										
— On-line (Billions of Bytes)	193	143	96	76	41	27	18	10	6	5
— Off-line (No. of Tapes in 000's)	45	44	43	41	36	31	26	23	20	17
No. of On-line Terminals (Approximate)	1,525	1,259	978	706	405	249	189	147	141	138
No. of Remote Job Entry Stations	81	108	98	94	86	67	53	42	39	19

* Restated

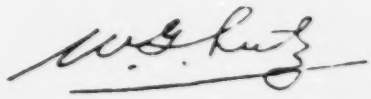
** Excludes Regina Campus Centre, which was terminated June 30, 1984.

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Computer Utility Corporation as at December 31, 1984 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Computer Utility Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted acccunting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
February 18, 1985

W. G. Lutz, F.C.A.,
Provincial Auditor.

Saskatchewan Computer Utility Corporation

Statement of Financial Position as at December 31

STATEMENT 1

	1984	1983
		(Thousands of Dollars)
Assets		
Current Assets:		
Short-term investments	$3,300	$ —
Accounts receivable	2,668	3,749
Prepayments and supplies	273	158
	6,241	3,907
Net investment in leases receivable (Note 4)	674	514
Fixed assets (Note 5)	2,852	2,846
	$9,767	$7,267
Liabilities and Province's Equity		
Current Liabilities:		
Bank indebtedness	$ 81	$ 413
Short-term loan payable (Note 6)	—	500
Accounts payable and accrued liabilities (Note 7)	1,268	397
Dividend payable	2,819	2,390
Current portion of long-term debt	—	394
	4,168	4,094
Long-term debt (Note 8)	—	393
	4,168	4,487
Province of Saskatchewan's Equity		
Advances (Note 9)	2,780	2,780
Retained earnings	2,819	—
	5,599	2,780
	$9,767	$7,267

(See accompanying notes)

Saskatchewan Computer Utility Corporation

Statement of Operations for the Year Ended December 31

STATEMENT 2

	1984	1983
	(Thousands of Dollars)	
Revenue:		
Sales of products and services	$22,080	$22,249
Other (Note 11)	574	828
	22,654	23,077
Expenses:		
Operating costs other than those listed below	11,488	10,463
Rental of Equipment	4,287	8,237
Depreciation and Amortization (Note 5)	1,217	1,586
Interest	24	295
	17,016	20,581
Net Earnings	$ 5,638	$ 2,496

(See accompanying notes)

Saskatchewan Computer Utility Corporation

Statement of Retained Earnings for the Year Ended December 31

STATEMENT 3

	1984	1983
	(Thousands of Dollars)	
Retained earnings, beginning of year		
As previously reported	$ —	$ 24
Retroactive adjustment resulting from a change in accounting policy (Note 2)	—	(130)
Retained earnings (Deficit), as restated	—	(106)
Add net earnings	5,638	2,496
	5,638	2,390
Dividend — Crown Investments Corporation of Saskatchewan	(2,819)	(2,390)
Retained earnings, end of year	$2,819	$ —

(See accompanying notes)

Saskatchewan Computer Utility Corporation

Statement of Changes in Financial Position for the Year Ended December 31

STATEMENT 4

	1984	1983
	(Thousands of Dollars)	
Source of Funds:		
From Operations		
Net earnings	$5,638	$2,496
Depreciation and amortization	1,217	1,586
Gain on sale of fixed assets	(70)	(356)
	6,785	3,726
Collections and change in current portion of leases receivable	799	884
Proceeds from sale of fixed assets	239	541
	7,823	5,151
Application of Funds:		
Investments in leases receivable	959	366
Acquisition of fixed assets	1,392	1,396
Reduction of long-term debt	393	888
Dividend — Crown Investments Corporation of Saskatchewan	2,819	2,390
	5,563	5,040
Increase in working capital	2,260	111
Working capital (Deficiency), January 1	(187)	(298)
Working capital (Deficiency), December 31	$2,073	$ (187)

(See accompanying notes)

Saskatchewan Computer Utility Corporation

Notes to Financial Statements

December 31, 1984

1. Significant Accounting Policies

Depreciation of Fixed Assets

Fixed assets are depreciated without residual value as follows:

Computer Equipment — equipment and associated software costs — straight line — one to seven years.

Office Furniture and Equipment — straight line over ten years.

Leasehold Improvements — straight line over expected term of occupancy.

Leases

Leases are classified as operating or direct financing leases. For direct financing leases the Corporation, as lessor, records the proceeds of asset disposals and related net investment in leases receivable at the present value of the future minimum lease receipts. All other leases are classified as operating leases and lease payments are recorded as income.

2. Change in Accounting Policy

In 1983, the Corporation retroactively adopted the policy of accruing for vacation credits earned during the year, but not utilized. As a result of this change, retained earnings as at January 1, 1983 was reduced by $130,000

3. Status of Corporation

The Saskatchewan Computer Utility Corporation was established in 1973 under The Saskatchewan Computer Utility Corporation Act to provide computer and data processing services to the Government of Saskatchewan and others.

The Corporation has been designated by Order-in-Council as a corporation to which the provisions of Part II of The Crown Corporations Act, 1978 apply. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

4. Leases

For direct financing leases recorded in the accounts, the net investment in leases receivable is computed as follows:

	1984	1983
	(Thousands of Dollars)	
Future minimum lease payments receivable:		
1984	$ —	$ 833
1985	747	399
1986	466	158
1987	171	10
1988	114	—
1989	30	—
Total future minimum lease payments receivable	1,528	1,400
Less unearned finance income	246	190
Present value of future minimum lease payments receivable	1,282	1,210
Less amount due in the next year, included in accounts receivable	608	696
Net investment in leases receivable	$ 674	$ 514

5. Fixed Assets

	Cost	Accumulated Depreciation and Amortization	1984 Net Book Value	1983 Net Book Value
		(Thousands of Dollars)		
Computer Equipment	$5,598	$3,525	$2,073	$1,894
Office Furniture & Equipment	624	288	336	272
Leasehold Improvements ..	1,818	1,375	443	680
	$8,040	$5,188	$2,852	$2,846

Following the completion of the conversion of fixed asset subsidiary records to an automated system in 1983, an adjustment of $273,940 was determined to be required to appropriately reflect the net book value of fixed assets currently in service. Of that amount, $250,790 constituted an adjustment to accumulated depreciation and was included in 1983 depreciation expense.

6. Short-term Loan

The short-term loan due to the Crown Investments Corporation of Saskatchewan was payable on demand, with interest based on a prime-related floating rate.

7. Accrued Customer Discounts

Included in accounts payable and accrued liabilities are accrued customer discounts of $684,000. These discounts based on annual commitments for the purchase of services, will be credited to customer accounts when the terms of the annual commitments end in 1985.

8. Long-term Debt

Long-term debt due to the Crown Investments Corporation of Saskatchewan in 1985 was repaid during the year.

9. Advances

These advances are non-interest bearing and are repayable to the Crown Investments Corporation of Saskatchewan at its discretion.

10. Commitments

At December 31, 1984 the corporation had the following commitments:

(a) Leased Premises

The Corporation is committed to the following future minimum lease payments for office and operating premises:

	(Thousands of Dollars)
1985	$ 935
1986	935
1987	637
1988	312
1989	252
	$3,071

10. Commitments (continued)

(b) Leased Equipment

The Corporation has entered into operating lease agreements for computer and communications equipment with provision for annual payments as follows:

	(Thousands of Dollars)
1985	$ 3,737
1986	3,526
1987	3,526
1988	3,162
1989	431
	$14,382

11. Other Revenue

Other revenue includes:

	1984	1983
	(Thousands of dollars)	
Financing income related to the investment in leases receivable	$193	$231
Other lease revenue	34	56
Investment income	277	185
Gain on disposal of fixed assets	70	356
	$574	$828

12. Remuneration of Directors and Senior Officers

During 1984, the Corporation's eleven directors (1983 - five) received remuneration of $19,550 (1983 - $1,350). The six senior officers (1983 - five) received, in aggregate, $375,620 (1983 - $313,136) in salaries for 1984.

13. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

14. Comparative Financial Information

Certain amounts have been reclassified to conform to the current year's presentation.